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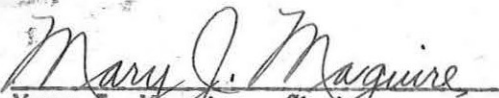
THIRD ANNUAL REPORT
TEACHERS' RETIREMENT SYSTEM
of the
STATE OF KENTUCKY
1942-43

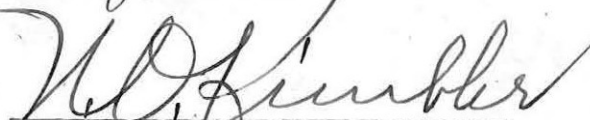
LETTER OF TRANSMITTAL

COMMONWEALTH OF KENTUCKY
TEACHERS' RETIREMENT SYSTEM
FRANKFORT

Honorable Keen Johnson
Governor of Kentucky

This, the Third Annual Report of the Board of Trustees of the Teachers' Retirement System of the State of Kentucky, in compliance with KRS. 161.320, is respectfully submitted.


Mary J. Maguire, Chairman
Board of Trustees.


N. O. Kimbler, Secretary
Teachers' Retirement System.

October 15, 1943.

Third Annual report of the Teachers' Retirement System of the State of Kentucky covering the period from July 1, 1942, to July 1, 1943.

Pursuant to Section 161.320 KRS., this report authorized and directed to be made by the Board of Trustees of the Teachers' Retirement System of the State of Kentucky covers the activities and operation of the system, the fiscal transactions, amount of the accumulated cash and securities, statistical tables and general balance sheet showing financial condition at the close of the third fiscal year.

Membership of the Board of Trustees follows:

Mary J. Maguire, Chairman, Lexington
 *B. L. Trevathan, Vice Chairman, Benton
 Morton Walker, Louisville
 W. F. O'Donnell, Eastern Kentucky State Teachers College, Richmond
 J. W. Brooker, Superintendent Public Instruction, Frankfort
 Hubert Meredith, Attorney General, Frankfort
 E. E. Shannon, State Treasurer, Frankfort

*Edward L. Cawood succeeded B. L. Trevathan by election July 1, 1943.

TABLE I NET MEMBERSHIP 1942-43

Net membership previously reported	19,281
New members with prior service	1,349
New members without prior service	<u>1,168</u>
Total gross membership	21,798
Withdrawals and deaths 1942-43	1,062
Members previously retired	245
Members retired July 1, 1943	99
	<u>1,406</u>
Net Membership July 1, 1943	20,392

There are about 18,200 teaching positions in the schools and colleges coming under the purview of the Retirement Act. Several teachers who have taught and paid contributions for a short time only failed to file service records, and about 2500 have filed service records but are not now teaching. In the Teachers' Savings Fund there are 26,800 accounts. The net increase in membership (filing service forms and receiving Membership Certificates) during 1942-43 was 1,455.

TABLE II NUMBER OF MEMBERS, PRIOR SERVICE AND SALARIES TO THE END OF THIRD YEAR
JUNE 30, 1943

	Number	PRIOR SERVICE		PRIOR SERVICE SALARY	
		Total	Average	Aggregate	Average
Gross Brought Forward	19,281	208,980.0	10.83	16,899,681.77	876.44
New with Prior Service	1,349	10,747.1	7.96	1,004,373.01	744.53
New without Prior Service	1,168	None	None	None	None
Sub Total	21,798	219,727.1	10.6	17,904,056.78	867.86
Withdrawals and Deaths	1,062	7,275.5	6.9	906,250.11	933.32
Totals and Averages	20,736	212,451.6	10.24	16,997,806.67	819.72

In calculating these averages, teachers without prior service are included. If teachers without prior service are excluded, the average prior service is then 11.5 and the average prior service salary is \$915.83. Table II includes all retired teachers as having membership.

During the three years of operation, 1,875 members have died or withdrawn and their accounts aggregating \$66,650. have been refunded to estates, beneficiaries or executors as provided in the Act. A corresponding amount has been transferred from the State Accumulation Fund to the Guarantee Fund by order of the Board of Trustees in accordance with Section 161.420 KRS.

TABLE III DISTRIBUTION BY AGE GROUPS OF 1,168 NEW ENTRANTS WITHOUT PRIOR SERVICE
1942-43

Age Group	Number	SALARIES	
		Total	Average
17 - 24	883	\$641,844.78	\$ 726.89
25 - 29	100	90,052.59	900.52
30 - 34	81	69,513.68	858.16
35 - 39	54	61,194.13	1,113.22
40 - 44	23	22,068.37	959.49
45 - 49	12	13,613.55	1,134.46
50 - 54	8	6,683.05	835.38
55 - 59	3	2,067.24	689.08
60 - 64	3	2,372.75	790.92
65 - 69	1	300.00	300.00
70 -	None	None	None
Totals and Averages	1,168	\$909,710.14	\$ 778.86

Table III which contains 883 members in the first age group appears to indicate the influence of admitting high school graduates. The average salary would indicate little increment for college credit. It appears that many of the older teachers included in Table III are merely helping out during the war emergency.

TABLE IV DISTRIBUTION BY AGE GROUPS OF 1,349 NEW ENTRANTS WITH PRIOR SERVICE
1942-43

Age Group	Number	PRIOR SERVICE		SALARIES	
		Total	Average	Total	Average
- 24	80	168	2.1	\$ 57,444.85	\$718.06
25 - 29	236	972.70	4.12	170,008.73	720.38
30 - 34	348	2,125.90	6.11	253,450.13	728.30
35 - 39	271	2,054.90	7.58	205,578.46	758.59
40 - 44	157	1,434.20	9.14	121,457.31	773.61
45 - 49	91	1,019.50	11.31	72,891.05	801.00
50 - 54	68	1,089.70	16.03	51,336.83	754.95
55 - 59	51	822.20	16.12	39,570.73	775.90
60 - 64	30	686.20	22.87	22,337.93	744.60
65 - 69	16	349.10	21.82	9,724.99	607.81
70 -	1	24.7	24.70	574.00	574.00
Totals and Averages	1,349	10,747.10	7.96	\$1,004,375.01	\$744.53

Table IV gives the distribution by age groups of 1,349 new entrants having prior service. It appears that many of these members will remain in the teaching profession. While the average prior service is only 7.96 years, there are about 200 members with from 15 to 20 years of prior service. Just as in the case of last year, the average salary of this group of experienced teachers is less than the average salary of new members without prior service.

Table IV also seems to show that a number of teachers with considerable prior service are returning to the teaching profession in order to give assistance during the emergency who would, perhaps, in normal times not be teaching.

Table V includes teachers who have died before retirement only. The number compares with the number of deaths in other Retirement Systems. Men and women are separate for actuarial reasons.

TABLE V DISTRIBUTION BY AGE GROUPS OF DECEASED MEMBERS SHOWING PRIOR SERVICE AND SALARY (1940-43)

Age Group	Male	Female	Total	PRIOR SERVICE		SALARIES	
				Total	Average	Total	Average
17 - 24	3	3	6	10.5	1.8	\$ 2,381.75	\$ 396.96
25 - 29	5	3	8	33.5	4.2	7,150.81	893.85
30 - 34	5	4	9	91.4	10.2	6,091.99	676.89
35 - 39	5	8	13	187.8	14.4	15,591.28	1,199.33
40 - 44	3	9	12	160.9	13.4	10,128.65	844.05
45 - 49	4	3	7	135.8	19.4	8,428.46	1,204.07
50 - 54	4	8	12	317	26.4	14,624.43	1,218.70
55 - 59	1	8	9	242	26.9	10,004.80	1,111.64
60 - 64	4	13	17	422.8	24.9	21,863.75	1,286.10
65 - 69	6	8	14	421.4	30.1	22,025.64	1,573.26
70 -	0	4	4	120	30	6,209.60	1,552.40
Totals and Averages	40	71	111	2143.1	19.3	\$124,501.16	\$1,121.63

TABLE VI DISTRIBUTION BY AGE GROUPS OF FIRST 1,764 WHO HAVE WITHDRAWN THEIR ACCOUNTS (1940-43)

Age Group	Number	PRIOR SERVICE		SALARIES	
		Total	Average	Total	Average
17 - 24	582	1,356	2.3	\$ 469,946.13	\$ 807.47
25 - 29	537	3,093.9	5.8	496,671.08	924.90
30 - 34	354	3,154.4	8.9	368,519.08	1,041.01
35 - 39	174	2,031	11.7	192,040.64	1,103.68
40 - 44	69	877.6	12.7	76,219.46	1,104.63
45 - 49	29	362.9	12.5	37,281.75	1,285.58
50 - 54	11	191.7	17.4	14,578.00	1,325.27
55 - 59	5	108.1	21.6	3,023.20	604.64
60 - 64	3	39.3	13.1	2,805.00	935.00
Totals and Averages	1,764	11,214.9	6.3	\$1,661,084.34	\$ 941.66

Table VI indicates to an extent the holding power and attractiveness of the Retirement System in a practical way. Members with any considerable amount of prior service credit are inclined to retain their membership, even though they may temporarily leave the profession. Members temporarily out of the profession who leave their accounts in the Teachers' Savings Fund retain service credit for three years, subject to extension to six years upon request giving reasons. Hundreds of teachers are taking advantage of this provision of the Law.

Table VI shows that to July 1, 1943, refunds had been made to only 1,764 withdrawn members. During the same period of time more than 6,000 teachers left their professional work for other employment. It is evident that about seventy-five per cent of those who have temporarily left the profession expect to return to it. No members sixty-five years old or older withdrew from the teaching profession during the three-year period.

TABLE VII DISTRIBUTION BY AGE GROUPS OF MEMBERSHIP HAVING PRIOR SERVICE JULY 1, 1943

Age Group	Number	PRIOR SERVICE		SALARIES	
		Total	Average	Total	Average
17 - 24	2,467	5,486.5	2.22	\$ 1,630,196.11	\$ 660.80
25 - 29	4,525	25,254.	5.58	3,474,150.40	767.77
30 - 34	4,396	40,781.6	9.28	3,883,747.34	883.47
35 - 39	3,087	39,536.8	12.81	3,100,488.34	1,004.37
40 - 44	1,660	27,195.5	16.38	1,769,120.33	1,065.74
45 - 49	1,177	22,936.3	19.49	1,318,533.50	1,120.25
50 - 54	793	17,832.20	22.5	888,505.19	1,120.44
55 - 59	594	14,433.	24.3	634,834.44	1,068.74
60 - 64	405	9,615.74	23.74	437,373.52	1,079.93
65 - 69	216	6,480.	30.	304,018.45	1,407.49
70 -	None	None	None	None	None
Totals and Averages	19,320	209,551.64	10.85	\$17,440,967.62	\$ 902.65

Table VII is arrived at by adding to the table presented July 1, 1942, the data for new members with prior service and subtracting the data for members who have retired, withdrawn or died during the preceding twelve months.

Due to the rapid turnover in many school systems and the delay in receiving some reports, this table is not exactly accurate and does not exactly check in every respect. I believe, however, that it is sufficiently accurate to meet the requirements of the Law and the needs of the Actuary. We shall be better prepared to produce an exact and accurate table at the end of the first five-year period.

The number of members having prior service shows an increase and includes certain teachers who are temporarily out of the teaching profession for three years or less. Due to the employment of former teachers with prior service, but with less college credit upon which salary increments are based, there is a decrease in the average prior service salary. Prior service salary is the average salary for the last five years of service prior to July 1, 1941, and upon this the State's contribution for prior service is based in accordance with Section 161.550 KRS. In requesting the appropriation for the next biennium, the salaries of members having prior service in the aggregate of \$1,440,967.62 was deducted from the amount shown on this table leaving a balance of \$16,000,000., two per cent (2%) of which is \$320,000., the amount of "Temporary Appropriation" requested.

TABLE VIII MEN RETIRED FOR DISABILITY AND SUPERANNUATION AS OF
JULY 1, 1943

Age of Retirement	Number	Average Contribution	Average P. S. In Years	Average S. S. In Years	Average P. S. Salary	Average S. S. Salary	Average Annuity	Needed Average Reserve	Number Deceased
50 - 59	9	\$62.55	26.88	1.07	\$719.15	\$704.75	\$114.44	\$1,672.00	0
60 - 64	25	46.64	29.52	1.13	604.84	496.74	115.21	1,340.00	0
65 - 69	27	34.84	29.79	.98	713.33	472.76	166.71	1,650.00	1
70 - 74	71	65.07	28.74	1.14	888.02	712.46	267.99	2,233.00	4
75 - 79	12	67.57	28.47	1.08	906.23	922.29	275.01	1,766.00	2
80 and Over	7	59.06	30	.71	867.32	668.43	270.23	1,357.00	1
	151	56.36	28.98	1.08	\$800.32	\$648.06	\$216.10	\$1,870.00	8

In Table VIII and Table IX teachers retired for disability are all included in age group 50 to 59. There are 17 in this group having an average service credit of more than 28 years. The earlier a teacher retires, the greater number of years he will draw the annuity; for this reason annuities of the younger retired teachers are smaller.

On the average, retired women survive retired men by approximately 5 years, yet their contributions to the Retirement System and their annuities are the same, the Retirement Act making no differentiation. A larger amount, however, must be set up in the reserve for a retired woman in comparison with that of a retired man. Up to this time, with the exception of the reserve, our Actuary has dealt with the problems of present value, mortality and annuities on the basis of women only. After we have accumulated a sufficient amount of experience, the two groups will be treated separately. To date average age at retirement for men is 68.95 and for women 69.7.

By permission of the State Board of Education and Superintendent of Public Instruction, approximately 15 teachers included in Table VIII and Table IX are teaching during the year 1943-44. In case a teacher under age of 70 applies for retirement and the annuity, but for some reason is employed to teach, her application is returned to her. It will be necessary for her to file application again either upon reaching the age of 70, or at the close of her active teaching service. None of such teachers are included in these tables. Of the total 344 annuitants, 18 have died since July 1, 1942.

TABLE IX WOMEN REQUIRED FOR DISABILITY AND SUPPLEMENTATION AS OF
JULY 1, 1943

Age of Retirement	Number	Average Contribution	Average P. S. In Years	Average S. S. In Years	Average P. S. Salary	Average S. S. Salary	Average Annuity	Needed Average Reserve	Number Deceased
50 - 59	8	72.68	27.39	1.22	\$ 900.02	\$540.22	\$145.16	\$2,393.00	1
60 - 64	15	76.43	28	1.07	844.75	750.75	144.41	1,967.00	1
65 - 69	29	71.16	29.09	1	938.06	683.13	219.65	2,609.00	2
70 - 74	110	104.47	28.99	1.19	1,176.50	1,101.21	364.86	3,731.00	3
75 - 79	28	73.34	30	.82	1,032.41	853.16	323.38	2,792.00	3
80 and Over	3	87.98	30	.67	1,169.17	891.67	364.13	2,496.00	0
	193	91.20	29.02	1.09	\$1,082.41	\$ 948.65	\$310.77	\$3,214.00	10

All teachers upon attaining the age of 70 file application for retirement and annuity. If this application is approved by the Board of Trustees, the annuity is calculated and fixed. Such a teacher may not continue actively in the profession without the issuance of an emergency certificate as provided for in Section 161.100 KRS. Such a teacher waives his annuity for the scholastic year and pays no contribution to the Retirement System. Without further notice, his name is placed on the roll of annuitants at the beginning of the succeeding scholastic year.

As indicated by Table VIII and Table IX, the great bulk of reserve and annuities must be paid out of the State's Temporary Contribution for prior service. The obligation of the State in this respect will decrease year after year, approaching zero as a limit.

Although the service credit is approximately the same, the average annual salary of retired women exceeds that of retired men by about \$300. The reserve required to pay the annuities of the men who have retired is \$282,370, and the reserve required for the women is \$620,302, total reserve \$902,672. Some adjustment is due to be made of this total by reason of the fact that some 15 teachers have waived their annuities for the year 1943-44. It will require approximately \$85,000. to pay annuities for the year 1943-44. Checks for the first quarter were mailed to the annuitants September 29, 1943.

TABLE X COST OF ADMINISTRATION

Year	Receipts of SAF	Expenses	Percentage
1940-41	\$ 476,089.49	\$ 23,669.88	4.97
1941-42	481,713.03	18,232.93	3.78
1942-43	627,680.01	22,319.39	3.56

Cost of administration of the Teachers' Retirement System of the State of Kentucky shall not exceed a sum equal to 4% of the receipts of the State Accumulation Fund. For the fiscal year ended June 30, 1943, the percentage was 3.56. Operating expenses clear through the Expense Fund and the Division of Accounts and Control. Cost of administration for the year 1942-43 was less than half of 1% of receipts and disbursements. Interest and profits amounted to approximately three times cost of operation.

TABLE XI INVESTMENTS
Teachers' Retirement System
June 30, 1943

Name and Description	Par Value	Net Yield
U. S. Defense Bonds, Series G.	\$ 250,000.00	2.50%
U. S. Treasury 2½%, 1972-67	820,000.00	2.39%
U. S. Treasury 2½%, 1962-67	225,000.00	2.50%
U. S. Treasury 2½%, 1963-68	1,000,000.00	2.50%
U. S. Treasury 2½%, 1964-69	<u>690,000.00</u>	<u>2.50%</u>
Total Par Value	\$2,985,000.00	
Unamortized Premium	<u>16,058.77</u>	
Total Invested	\$3,001,058.77	
Average Net Yield	<u> </u>	<u>2.47%</u>

During the year 1942-43, we have been able to purchase all securities required for investment at par. We have bought 2½% bonds exclusively. The average yield of our investments was 2.37% June 30, 1942, and is 2.47% June 30, 1943. By selling and reinvesting at par, we have been able to eliminate premium accumulated in 1941. Premium is amortized to the call date and our book value is the par value of the bonds with the premium entered separately until amortized. We receive daily market reports on government securities.

When the profit is sufficient to justify sale and reinvestment, securities costing a premium are sold, provided the reinvestment can be made at par. It is not, however, the policy of the Board of Trustees to trade in securities.

TABLE XII GENERAL BALANCE SHEET
Teachers' Retirement System
June 30, 1943

Current Assets		
Cash - Unencumbered	\$ 63,442.47	
Cash - Reserved for Encumbrances (Sch.1)	<u>148.70</u>	
Total Cash Balance	\$ 63,591.17	
Accounts Receivable	<u>24.43</u>	
Total Current Assets		\$ 63,615.58
Investments		
U. S. Treasury Bonds at Par (Sch.2)	\$2,735,000.00	
U. S. Defense Bonds, Series G (Sch.2)	250,000.00	
Unamortized Premium on Treasury Bonds	16,058.77	
Accrued Interest on Treasury Bonds Purchased	<u>20.49</u>	
Total Invested		3,001,079.26
Fixed Assets		
Office Equipment (Sch.3)		<u>9,038.23</u>
Total Assets		\$3,073,733.07
Current Liabilities		
Accounts Payable	6.73	
Encumbrances Outstanding (Sch.1)	<u>148.70</u>	
Total Current Liabilities		<u>155.43</u>
Net Assets		\$3,073,577.64
Fund Balances (Surplus)		
Expense Fund	\$ 9,044.73	
Teachers' Savings Fund (Sch.4)	1,494,340.39	
State Accumulation Fund - Per.	1,494,327.31	
State Accumulation Fund - Temp.	25.00	
Allowance Reserve Fund		
Teachers' Contributions	\$ 724.98	
State Contribution - Per.	1,428.40	
State Contribution - Temp.		
ARF Balance - Temp.	\$582,203.64 ¹	
ARF Balance Def. for Prior Service	<u>542,546.46</u>	
Net ARF Balance		39,657.18
Total ARF Balance		<u>41,810.56²</u>
Guarantee Fund		<u>34,029.65</u>
	<u>\$3,073,577.64</u>	<u>\$3,073,577.64</u>

¹Total obligation to present annuitants for prior service.

²This is the amount available for meeting annuity requirements and will be adequate for about two quarters in 1943-44.

TABLE XIII GENERAL STATEMENT
RECEIPTS AND EXPENDITURES
July 1, 1942, to June 30, 1943

Cash Balance July 1, 1942			
Cash - Unencumbered		\$ 97,770.14	
Cash - Reserved for Encumbrances		<u>4,129.54</u>	
Total Cash Balance			\$ 101,899.68
Receipts During the Year			
Teachers' Savings		\$ 559,731.66	
State Contribution - Per.		559,672.98	
State Contribution - Temp.		68,007.63	
Interest on Investments Collected		60,934.59	
U. S. Treasury Bonds Sold		819,898.54	
Profit on Bonds Sold		6,391.84	
Deposit on Bond Subscription Returned		50,000.00	
Annuity Payment Checks Returned		659.09	
Allotment for Expenses	\$24,000.00		
Less Amount Returned to Allotment ¹	<u>1,680.61</u>		
Net Allotment for Expenses		22,319.39	
Accrued Interest Payment Returned		61.20	
Excess Refunds Recovered		<u>9.39</u>	
Total Receipts			<u>2,147,686.31</u>
Total Cash Available			\$2,249,585.99
Disbursements for 1941-42			
Expenses Paid	\$ 255.16		
Returned to General Fund	<u>54.04</u>		
Total		\$ 309.20	
Disbursements for 1942-43			
Administrative Expenses			
Board of Trustees Expense	\$ 668.63		
Fidelity Bond	50.00		
Medical Expense	32.00		
Miscellaneous Expense	244.47		
Postage	380.64		
Printing and Office Supplies	906.27		
Salaries	18,333.32		
Telephone & Telegraph Expense	162.95		
Travel Expense	372.06		
Office Equipment	<u>1,013.85</u>		
Total Expenses Paid		22,164.19	
Refund Claims Paid (Sch. 5)		46,194.37	
Age Retirement Allowances Paid		63,073.45	
Disability Retirement Allowances Paid		1,451.56	
U. S. Defense Bonds Purchased		150,000.00	
U. S. Treasury Bonds Purchased		1,852,787.51	
Deposit on Defense Bond Application		50,000.00	
Gold Checks Paid		<u>14.54</u>	
Total Disbursements			<u>2,185,994.82</u>

Cash Balance June 30, 1943
 Cash Reserved for Encumbrances
 Unencumbered Cash Balance June 30, 1943

\$ 63,591.17
 148.70
 \$ 63,442.47

¹Returned to the Allotment Account and used to match teachers' savings.

At the close of the third fiscal year the liquid assets of the Teachers' Retirement System amounted to \$3,001,079.26 invested in Government bonds and cash balance of \$63,615.58. There was in the Teachers' Savings Fund \$1,494,340.39, a like amount in the State Accumulation Fund and \$34,000.00 in the Guarantee Fund. Interest and profits collected during the year amounted to \$67,000.00 in round numbers. All annuities and other obligations were promptly taken care of.

The Allowance Reserve Fund has been and still is our most difficult problem. The balance in this fund is \$41,810.56 whereas under optimum conditions we should have a balance of \$582,000.00. The State's temporary appropriation for prior service has been adequate to meet current expenditures, but it has not been sufficient to take care of the whole obligation for prior service entered into currently. We sincerely hope that in the near future the State will be able to take care of a greater percentage of this obligation to the retired teachers and active teachers for prior service. For the ensuing year we anticipate no difficulty in being able to meet all disbursements and expenses required.

The total assets of the Teachers' Retirement System was \$3,073,577.64 on June 30, 1943.

The assets of the Retirement System are held in five funds designated by the Retirement Act. The daily financial transactions of the Retirement System are properly recorded in a permanently bound set of books stored, when not in use, in a fireproof safe. Interest is not kept on an accrual basis, but is credited at the time it is collected. This enables us to easily balance the books at the close of any day's business. Daily cash receipts are entered and all receipts and disbursements are not only recorded currently, but are supported by the proper journal vouchers to facilitate auditing.

A most complete, detailed bond register is maintained.

Every account is subject to a controlling account with which it is balanced monthly, quarterly and annually.

The State Auditor is Ex-officio Auditor of this agency and a consolidated balance sheet prepared by his office is included in this annual report.

Please be referred to Table XIV and Table XV prepared by the State Auditor, and to his Letter of Transmittal and Comments, page 14 of this report. The footnotes to Table XIV and Table XV are ours.

TEACHERS' RETIREMENT SYSTEM
TABLE XIV CONSOLIDATED BALANCE SHEET - ALL FUNDS

June 30, 1943

	Teachers' Savings Fund	State Accumulation Fund	Allowance Reserve Fund	Guarantee Fund	Investment Fund	Totals
ASSETS:						
Cash	\$ 6,148.12	\$ 31,342.25	\$ 901.15	\$ 23,954.58	\$ 1,089.87	\$ 63,435.97 ³
Advanced for Investments	1,154,169.13	1,429,000.00	36,000.00	83,000.00		
Due from Guaratee Fund	34,005.46	34,010.06	4,909.41			72,924.93
Accounts Receivable			4.60			4.60
Investments - Par Value				2,985,000.00	2,985,000.00	2,985,000.00
Unamortized Premiums				16,058.77	16,058.77	16,058.77
Accrued Interest Purchased				20.49	20.49	20.49
Office Equipment	4.60					9,038.23
Due - Reserve Fund	19.81					4.60
Underpayments	(6.73)					19.81
Overpayments			(4.60)			(6.73)
Due Teachers' Savings Fund						(4.60)
Totals	\$9,038.23	\$1,494,352.31	\$41,810.56	\$106,954.58	\$3,002,169.13	\$3,146,496.07 ²
LIABILITIES:						
Accounts Payable						
Fund Balance						
Due - Teachers' Savings Fund	1,494,340.39	1,494,352.31	41,810.56	34,005.46	1,454,169.13	3,137,457.84
Due - State Accumulation Fund				34,010.06	1,429,000.00	
Due - Guaratee Fund				34,029.65	83,000.00	
Surplus - Equipment	9,038.23 ¹					9,038.23 ¹
Due - Allowance Reserve Fund				4,909.41	36,000.00	
Totals	\$9,038.23	\$1,494,340.39	\$41,810.56	\$106,954.58	\$3,002,169.13	\$3,146,496.07 ²

(*) Inter-Fund Accounts Omitted.

¹Should also include unused cash amounting to \$6.50, giving a total surplus of \$9,044.73.

²Includes both the State's permanent and temporary balances.

³Should also include \$155.20, cash balance, encumbered and unencumbered, of the Expense Fund.

TEACHERS' RETIREMENT FUND
TABLE XV STATEMENT OF OPERATIONS
Year Ended June 30, 1943

	Expense Fund	Teachers' Savings Fund	State Accumulation Fund	Allowance Reserve Fund	Guarantee Fund	Investment Fund	Total
Fund Balance, July 1, 1942	\$ 24,000.00	\$ 955,737.36	\$ 956,809.86	\$ 143,060.70	\$ 2,719.77	\$ 560.75	\$1,920,836.76
Revenues:							
Members' Contribution		559,731.66	559,697.98				559,731.66
State Contribution			67,982.63		41,763.87		559,697.98
Inter-Fund Transfers		2,751.42	2,751.42				252,806.40
Inter-Fund Transfers - Int.							5,502.84
State Appropriation							24,000.00
Refunds Recovered		1.04	2.58	9.39	8,795.74		13.01
Profit - Sale of Investments				14,000.00		61.20	8,856.94
Investments Sold						792,000.00	806,000.00
Premiums Accrued						29,284.31	29,284.31
Accrued Interest						2,984.35	2,984.35
Advanced from Other Funds						1,178,997.77	1,178,997.77
Interest Earned							54,180.57
Checks Returned					54,180.57		659.09
Total Revenue and Opening Fund Balance	\$24,000.00	\$1,521,221.50	\$1,589,214.47	\$157,729.18	\$107,459.15	\$2,003,877.38	\$5,403,531.68
Operating Charges:							
Inter-Fund Transfers		26,826.78	94,892.16	69,260.89	83,444.80		274,424.63
Refunds		39.79		46,155.62			46,195.41
Board of Trustees	668.63						668.63
Postage	454.37						454.37
Printing & Office Supplies	935.18						935.18
Salaries	18,333.32						18,333.32
Telephone and Telegraph	178.15						178.15
Travel	407.06						407.06
Equipment	1,013.85						1,013.85
Other Expense	326.47						329.05
Interest Paid on Refunds				502.11	2.58		513.32
Interest Transferred					11.41		22,966.11
Investments Purchased					22,966.11		2,000,000.00
Accrued Interest Purchased						2,000,000.00	2,787.51
Gold Checks		14.54					14.54
Total Operating Charges	\$22,317.03	\$26,861.11	\$94,892.16	\$115,918.62	\$106,424.90	\$2,002,787.51	\$2,369,221.33
Fund Balance June 30, 1943	\$ 1,682.97	\$1,494,340.39	\$1,494,352.31	\$41,810.56	\$ 1,034.25	\$ 1,089.87	\$3,034,310.35

1 The amount of \$1,680.61 had been returned to the State Accumulation Fund Allotment prior to the end of the fiscal year and was used for and included in "State Contribution" above.

2 This balance should be shown as \$74,029.65. The difference is due to the method of handling "Inter-fund Transfers," \$83,000. of which is not a fund charge, and the method of handling "Interest Transferred."

3 This amount is the cash balance of the fund as of June 30, 1943, and not the fund balance, the difference being due to the method of handling inter-fund obligations.

Frankfort, Kentucky
October 12, 1943

Honorable Keen Johnson
Governor of Kentucky
Frankfort, Kentucky

Dear Governor Johnson:

We submit herewith report of our audit of the Teachers' Retirement System of the State of Kentucky for the year ended June 30, 1943.

This examination was made by J. N. Meador, under my supervision.

Respectfully submitted,

(Signed) Bert L. Sparks

Bert L. Sparks
Auditor of Public Accounts

COMMENTS

Many changes have been made in membership during the year, and more are being added each year. The retired teachers are receiving their annuity checks as provided by law.

The State Accumulation Fund, the Teachers' Savings Fund, and the Guarantee Fund are in fine condition. The Allowance Reserve Fund, while showing good improvement, is not sufficient at this time to pay all annuities of retired teachers during their life expectancy. However, the fund is sufficient for current obligations.

The Investment Funds: The investments are in U. S. Treasury and Defense War Bonds. Present economic conditions make investments of this type mandatory. Income from Government issues compares favorably with income from good Municipal issues.

Accounting: There are 273 accounts with school districts and institutions, which are members of the Retirement System, and which constitute control accounts for approximately 27,000 individual members.

The Secretary and Office Personnel appear to be well qualified for their positions and maintain the fund efficiently and accurately.

Surety Bonds: The Secretary is under a \$10,000.00 bond with the Aetna Casualty and Surety Company, Hartford, Connecticut. Bond number 342-5307, expiration date July 1, 1944. Bond is on file with the Secretary of State.